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# THE CONSIDERATIONS OF A SOUTHEASTERN EUROPEAN AIRLINE AIRCRAFT ENGINEERS REGARDING THE INCENTIVES APPLIED BY THE CORPORATE TOP MANAGEMENT AND THOSE REQUIRED BY THEM

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In October 2003 we conducted a survey among the aircraft engineers of a southeastern European airline (Airline). The research included four questionnaires with 61 questions. The subjects of these questionnaires were:

- The incentives that attracted the a/c engineers to their profession.
- The opinion of the a/c engineers on the incentives applied by the Airline's top management
- The incentives which the a/c engineers require to be applied by corporate top management.
- The opinion of the a/c engineers regarding the effects of the recently organisational restructuring of the Airline's group

The sample used for this research represented 25% of the total number of the a/c engineers. This percentage is regarded as statistically adequate for an absolutely reliable result.

The construction of the questionnaires and the classification of the answers of the a/c engineers was based on Herzberg's Needs theory, which was adopted at the particularities of the national and labor culture.

## Keywords

Airplane: engineers, maintenance unit, culture (national, labor) labor relations, incentives, perception determinants.

## The Aim of the Paper

The aim of the present paper is to determine

- The reasons for the Airline's a/c engineers' assessment of the corporate incentives (applied and required).
- The impact of the corporate and social environment on shaping these considerations.

## The Author's Contribution

The author's contribution is the determination the internal and external Airline corporate environment factors, that contributed to shaping the particular consideration by the Airline's a/c engineers regarding the incentives applied by the top management and those required by them.

## Introduction

The southeastern European Airline which is the subject of our case study is a State-owned former flag carrier that has been 100% nationalized since 1975. The interference of the government, the political parties and union mechanisms in the Airline's management had disastrous results not only on its competitiveness but also on its very survival. (Lainos 1992, Verelis 2004) The crisis was manifested after 1993 when the EU applied the open-skies policy, establishing the air transport liberalization. The state (the Airline's exclusive shareholder) from 1993 to 2004, after six efforts, failed to make the Airline

competitive and to privatize it. Finally in December 2003 the flight division of the Airline, as well as that of its regional subsidiary, was spun off and merged with its charter subsidiary company that was re-named. The maintenance unit remained with the old structure although its main client is still the Airline. (Lainos 2003) Our research was conducted during October 2003 with the solidarity of the Airline management and the a/c engineers union. The answers of the respondents in our research were obviously affected by the Airline's group organisational restructuring, which was in process during this period of time.

Our approach regarding the causes of the:

- particular prioritisation of the incentives which attracted the a/c engineers in their profession and the incentives they require to be applied by the Airline's corporate top management
- a/c engineers consideration regarding the effects of the Airline's group organisational restructure on the survival of the maintenance unit and on their labor position based on the results of the elaboration of the answers which gave the majority of the a/c engineers participants in our research during personal interviews after they had answered the questionnaires.

The construction of the questionnaires and the categorisation of the answers was based on Herzberg's needs theory (Herzberg 1966) adopted at the particularities of the national and labor culture of the Airline a/c engineers.

## Brief Theoretical Approach

Herzberg based his dual factors needs theory, (Herzberg, Mausner, Synderman, 1959) on Maslow's five levels Hierarchy of Needs theory (Maslow, 1954). Maslow's needs theory reflect all the needs in a person's life. Maslow argued that the lower level has to be satisfied so that the human will proceed in satisfaction of the next group of needs

Herzberg developed a list of factors that are more closely related to labor environment. These factors fall into two groups. Hygiene or Maintenance factors or Dissatisfiers and the Motivators or Satisfiers . (Herzberg 1966, 2003), The hygiene or maintenance factors or dissatisfiers are shown in TABLE 1

**Table 1.** Hygiene or Maintenance factors or Dissatisfiers

1) Salary and benefits
2) Personal life
3) Labour conditions
4) Job security
5) Quality of supervision
6) Fellow workers
7) Corporate policies and administrative practices

Herzberg argued that these group of factors do not have motivation power because they will not increase the employees satisfaction within their job. However they will help remove feelings of dissatisfaction. They include a decent salary, acceptable working conditions and the way a company views and treats its employees.

The hygiene or maintenance factors or dissatisfiers must be satisfied in the job before the application of motivators-satisfiers. Since hygiene factors are reliably met, the following second set of motivations-satisfiers arises. (TABLE 2) Herzberg argued that these factors are the real motivators.

**Table 2.** Motivators-Satisfiers

1) Status
2) Recognition
3) Promotion
4) Responsibility
5) Development
6) Achievement
7) Job challenge

## The Results of Our Research

### A) The top 6 incentives that attracted the a/c engineers in this particular a/c Maintenance Unit to their profession

The top 6 incentives that were selected by more than 50% of the a/c engineers participated in our research-are shown in TABLE 3

**Table 3.** The top 6 incentives that attracted the a/c engineers of the particular Maintenance Unit to their profession

1) 73,1% Job stability, certainty, permanency
2) 73,0% The satisfaction derived from the Airline's and the Maintenance unit vanguard in the field of flight safety
3) 62,0% The wage level
4) 61,4% Satisfaction from the achievements of their labour
5) 57,9% The content and social status of their profession
6) 53,8% The social status of the Airline

*Classification of the Answers According to the Herzberg's Hygiene and Motivational factors*

The received answers of "A" questionnaire were classified according to Herzberg's labor incentives structure, are shown in TABLE 4

**Table 4.** Classification of the a/c engineers answers according to the Herzberg's Hygiene and Motivational factors

5
ACHIEVEMENT.....4 <sup>th</sup> 61,4%
RESPONSIBILITY
JOB CHALLENGE.....5 <sup>th</sup> 57,9%
4
RECOGNITION.....2 <sup>nd</sup> 73%
ADVANCEMENT
STATUS.....5 <sup>th</sup> 57,9% & 6 <sup>th</sup> 53,8%
3
CORPORATE POLICIES & ADMINISTRATIVE PRACTICES, FELLOW WORKERS QUALITY OF SUPERVISION
2
JOB SECURITY .....1 <sup>st</sup> 73,1%
LABOR CONDITIONS
1
PERSONAL LIFE
SALARY & BENEFITS.....3 <sup>rd</sup> 62%

*The Causes for the Particular Prioritization of the Incentives That Attract the Maintenance Unit Engineers to Their Profession*

1) 73,1% Job stability, certainty, permanency

We consider that the reasons that guided the majority of the a/c engineers of this southeastern European Airline to select this motive in their first priority are the following:

*The National Culture*

A basic pillar of the Greek national culture is Uncertainty Avoidance, (From scale 40 to 112 Greeks score 112). This dimension addresses the ease with which cultures cope with novelty, ambiguity and uncertainty. (Hofstede 1980 a, b, 1991; Johnston 1993)

*The Labor Culture*

Even though the position of the Airline which is the main client of the Maintenance Unit being surveyed, was and still is unstable, the a/c engineers believe that the security of their job is not in danger. The factors which contributed to shaping this particular consideration are:

- a) The country's need for at least one airline. Consequently, they consider that one aircraft Maintenance and Repair Unit is necessary.
  - b) Their awareness of the minimum four years required to educate a B1 and B2 aircraft engineer
  - c) Their experience from the Maintenance unit of the Belgian flag carrier Sabena, which is still in operation even though the airline Sabena ceased its operation since 2002.
  - d) The quality of their job. This particular Maintenance unit was awarded a prize from the European Maintenance Management Academy (Auditing Organisation approved by IATA). in 1999
  - e) The power of the union. One hundred per cent of the personnel is unionized, with a history of strong and long term struggles. Their most famous strikes were against the military junta in 1973 and the 70- day strike against the conservative government in 1980.
  - f) The consideration that their jobs are not in danger is promoted mainly by the aircraft engineers' union.
- 2) The incentives prioritised in two and four

Priority of TABLE 3 (Satisfaction with the Airline's and its maintenance unit world flight safety record, and satisfaction from the achievement of the a/c engineers labor) have the same content, which is the a/c engineers satisfaction with their job's achievement. This consideration is an international incentive necessary for aircraft engineers to compensate for the stress resulting from their professional responsibility to maintain the aircraft airworthiness that protects passengers' lives. The motto of the International Union of the Aircraft Engineers is "We keep them flying safely". The a/c

engineers of this particular Airline have developed this consideration as a corporate culture due to the flight safety record of their company and its maintenance unit.

3) Incentive number three The wage level (62,0% ) is related to the decline of the market value of their salaries over the last 15 years.

4) Incentives number five and six (The content of the profession and its social status and The social status of the Airline) besides reflecting an existing social consideration, is related to the number two consideration of the a/c engineers.

**B) The consideration of the a/c engineers regarding the effectiveness and efficiency of the incentives applied by corporate management**

Some 80,2% consider that the Airline management does not apply any incentives for them.

*The Causes of the Particular Consideration*

The elaboration of the answers, of the a/c engineers participants in our research, during their personal interviews, concluded that the causes of this approach are considered to be the following:

- 1) The inefficient and ineffective policy applied by the government, the Airline's exclusive shareholder, and the corporate top management appointed by it, regarding the measures applied for survival and the growth perspectives of the Airline and its maintenance unit
- 2) The non meritocracy criteria of promotion
- 3) The decrease buying power of their wages over the past fifteen years

**C) The top 7 incentives which the Airline's aircraft engineers want to be applied by the corporate top management**

The top seven incentives out of the 13, included in this questionnaire, which were selected by more than 50% of the a/c engineers participants in our research are showed in TABLE 5

*Classification of the Answers According to the Herzberg's Hygiene and Motivational factors*

The received answers of the "C" questionnaire were classified according to Herzberg's labor incentives structure, as TABLE 6

A simple glance at the answers in the questionnaire regarding "The top 6 incentives that attract the personnel of this particular airplane Maintenance Unit to their profession" and the questionnaire answers regarding "the consideration of the a/c engineers regarding the

effectiveness and efficiency of the incentives applied by corporate management” indicates an obvious incompatibility. The incentives which attract the a/c engineers at their profession are focused mainly on the Herzberg’s satisfiers while the required to be applied by the corporate top management are focused mainly on Herzberg’s dissatisfiers. We consider that the cause is the incompatibility between the consideration of the a/c engineers regarding their current professional and social status and the objective reality

**Table 5.** *The top 7 incentives which the Airline’s aircraft engineers want to be applied by the corporate top management.*

- 1) 82% Improvement of their wages level
- 2) 69,7% Improvement of their working conditions
- 3) 65,6% Improvement of their training level
- 4) 59,8% The interest of the Airline’s top management in solving the a/c engineers professional problems
- 5) 59,0% Application of measures for recovery of the Airline.
- 6) 58,2% The Airline’s top management should permit a/c engineers to submit their suggestions for improving the operation of the Airline and the Maintenance Unit and to take into account and to implement these proposals
- 7) 52,4% The Airline’s top management should offer bonuses (extra wages, additional days off, paid vacations, etc)

#### *The Causes of these Considerations*

The reasons for the incentives that the a/c engineers require to be applied by corporate management and their prioritisation are:

- 1) Regarding the requirement for improving their wage level: Twelve years ago (1993), when the government applied for the Airline a “recovery program” approved by the E.U., the purchase power of their wages decreased owing to incompatibility of wage increases and inflation.
- 2) Regarding the requirement for improving their working conditions:
  - a) Over the past seven years three aircraft engineers died most probably of cancer owing to the benzolium they come in contact with.
  - b) The government’s effort to privatise the company meant that the tools of their profession were not updated properly.
  - c) The a/c engineers consider that their job is not efficiently and effectively organised
- 3) Regarding the requirement to improve a/c engineers training level: A quick comparison between the a/c engineers’ second answer to

**Table 6.** *Classification of the answers according to the Herzberg’s Hygiene and Motivational factors*

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questionnaire “A”, according to which they are proud of being in the international vanguard of the safety of their Maintenance Unit, and their requirement to improve their training level could generate ambiguities relative to the compatibility of these two answers. How could a Maintenance Unit be in the forefront of flight safety without a high level of aircraft engineer training? But in fact, there is no contradiction. The essence of the a/c engineers’ requirement that corporate management improve the training level is mainly economic. The Airline’s fleet includes more than three aircraft types. The a/c engineers need more than four years to acquire certificates for these aircraft types. According to their collective agreement, when an a/c engineer acquires the certificate for each aircraft type, his salary increases on a percentage basis. So the deeper essence of this requirement is to accelerate their training in order to acquire certificates for all types of aircraft in the fleet in order to increase their earnings.

4) The number four requirement is related to numbers five and six (TABLE 5). It expresses the disappointment of the a/c engineers with the inability of corporate top management to manage general issues regarding the current operation and growth of the aircraft Maintenance Unit. Thus their union is obliged to become involved with these issues even though they are not included in its typical role. For example:

- a) The union presses top management to expand the Maintenance Unit activities internationally to cover an existing demand, in order to increase the

corporate income. However top management has not responded to this demand arguing that they have insufficient available qualified person- nel. (Statement of the Airline C.E.O. 2004)) However simultaneously the top management do not hire the proper personnel.

b) Despite the 100% increase of the a/c engineers' (and other specialists') job productivity over the last ten years, the financial results of the Airline showed a deficit. (Lainos 2004)

a) During the government's negotiations in the summer of 2000 to privatise the Airline, the investor stated that he could not accept some contracts regarding aircraft acquisition by the Airline because the price was about 50% higher than the corresponding market prices. (Manos 2001)

The a/c engineers argue that their contribution to corporate survival and development has been canceled by such malfunctions.

4) The number five requirement expresses:

a) the disappointment of a/c engineers at the ten years of ineffective and inefficient efforts by the Airline's top management and the government, as its exclusive shareholder, to ensure the Airline's survival and to give it a developmental perspective. They are unwilling to accept that this failure has not been due to incapability, but is the result of a government plan to scuttle the survival effort and thus to persuade the society of the necessity to privatise the Airline, despite its world record in flight safety that was acquired during its state-owned period. (Greek Parliament 2002, Lainos 2003)

b) the inability of corporate top management and the government, the Airline's exclusive shareholder, to protect it from the mass slander campaign by the press. The aircraft engineers do not want to accept that this slander campaign is tolerated if not coordinated by the Airline's exclusive shareholder and the corporate top management appointed by the shareholder. The aim of the shareholder is to persuade the society of the necessity of privatising the flag carrier. (Lainos 2003)

5) Requirement number six expresses the a/c engineers' conviction of their ability to use their knowledge to contribute to the survival and development of the Airline group. The first determinant of this consideration is based on the a/c engineers' upgraded self confidence due to the international recognition of the superior quality of their work. The second determinant is their union's belief that they collectively possess sufficient professional qualifications to realise this aim effectively. The union has organised successfully in recent years:

a) a conference of the International Association of Aircraft Engineers (AEI 2001) and

b) professional conferences regarding the causes of the Airline's crisis and the requirements for its competitive growth (2004)

6) The number seven incentive (The Airline's

top management should offer bonuses (extra wages, additional days off, paid vacations and international travel, etc), supported by 52,4% of the participants, expresses the way in which the a/c engineers require that corporate top management actively recognise their effort of the Maintenance Unit to retain its flight safety record.

D) The opinion of the a/c engineers regarding the effects of the recent organisational restructuring of the Airline's group on their job status and on survival and development of the maintenance unit is shown in Table 7.

**Table 7.** *The causes of the aforementioned answers*

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1) Impact on the a/c engineers job position</p> <p>a) 74,2% Will be worsen</p> <p>b) 18,1% Will remain stable</p> <p>c) 8,2% Will be improved</p> <p>2) Impact on the survival and development of the maintenance unit</p> <p>A) 20,9% Positive due to its ability for international expansion</p> <p>B) 79,1% Negative due to</p> <p>a) 42,3 the governmental plan for privatisation</p> <p>a) 36,9 the organisational separation with the Airline, its almost exclusive client</p> <p>b) 20,8% both of the aforementioned causes</p> <p>C) 3,5% Positive the Maintenance Unit development due to the abilities for international expansion, but negative on their job status due to worsen of their labor conditions.</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

1) The strong and long term opposition of the a/c engineers union against the privatisation

1) Their fear which is based on their international experience that:

a) their labor conditions will worsen due to privatisation.

b) their job security-stability will be lost due to the decrease of the Airline's network which will result at the decrease of their job positions which will not be replaced by a probable expansion of the Maintenance Unit works.

## Conclusions

A) The considerations of the aircraft engineers of this particular Maintenance Unit regarding

a) the effectiveness and efficiency of the incentives applied by corporate top management

b) the incentives which they require to be applied by corporate top management, are affected by the

following internal and external corporate environment factors:

- 1) The national culture and the corporate labor culture.
  - 2) Their international experience
  - 3) The unreliability of the state-shareholders' selections regarding the developmental prospects of the company
  - 4) The awareness of the a/c engineers power (monopolistic position, 100% unionised)
  - 5) The international official recognition of the superior quality of the results of the a/c engineers work on flight safety.
  - 6) The union's consideration
  - 7) The political ideology.
- B) The need for a social recognition is very strong among the particular a/c engineers
- C) The selection of the incentives which attracted the a/c engineers in their profession, those which they required to be applied by the corporate management and its prioritisation we consider that are biased by
- a) the a/c feelings arose by the failure of the ten years efforts of the government the Airline's exclusive shareholder, to make the Airline competitive
  - b) the organisational restructuring of the Airline's corporate group that took place during our research period of time. which the a/c engineers considered that it will have negative effect on their job status

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